

## Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SAM-01 SAJ-01 IO-10 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 AID-05 EB-07 CIEP-01

TRSE-00 STR-04 OMB-01 CEA-01 COME-00 /098 W

----- 027112

R 051403Z MAY 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 9851

INFO AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMCONSUL HONG KONG

AMEMBASSY LONDON

USLO PEKING

AMEMBASSY SEOUL

LIMITED OFFICIAL USE MOSCOW 6135

E.O. 11652: NA

TAGS: EFIN PFOR CH UR KN COMECON

SUBJECT: REPORTED NORTH KOREAN DEFAULT ON DEBTS

REF: HONG KONG 4747 (NOTAL); BUDAPEST 1136 (NOTAL)

1. EMBASSY HAS RECEIVED NO REPORTS FROM MOSCOW DIPLOMATIC CIRCUIT OR FROM WESTERN BANKERS REGARDING NORTH KOREAN DEFAULT ON DOLS 200 MILLION (POSSIBLY DOLS 300 MILLION) DEBT MENTIONED REFTELS. SUCH DEVELOPMENTS WOULD, HOWEVER, BE VERY CLOSELY HELD IN SOVIET FINANCIAL CIRCLES AND IT WOULD BE UNUSUAL FOR ANY LEAKS TO APPEAR HERE.

2. TWO NORTH KOREAN DELEGATIONS HAVE VISITED MOSCOW DURING LAST SEVERAL WEEKS AND IT IS POSSIBLE THAT SOVIET FINANCIAL ASSISTANCE WAS ONE OF ITEMS DISCUSSED. THIS WOULD ALSO BE A LOGICAL AGENDA ITEM FOR ANY POSSIBLE KIM IL SUNG VISIT

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TO MOSCOW.

3. BECAUSE IT IS VERY UNUSUAL FOR A COMMUNIST GOVERNMENT TO  
DEFAULT ON DEBT PAYMENTS TO WESTERN BANKS, SOVIETS AND ALSO, WE  
BELIEVE, CHINESE MUST REGARD SUCH DEFAULT AS EXTREMELY SERIOUS  
AFFAIR AFFECTING NOT ONLY CREDIT RATINGS OF ALL "SOCIALIST"  
COUNTRIES BUT ALSO DAMAGING TO THEIR OWN PRESTIGE.  
THIS IS PARTICULARLY SENSITIVE MATTER FOR SOVIETS IN VIEW OF  
THEIR CURRENT LARGE-SCALE BORROWING FROM WESTERN COUNTRIES  
FOR THE PURCHASE OF TECHNOLOGY AND EQUIPMENT. ALTHOUGH  
NORTH KOREA IS NOT A FULL MEMBER OF CEMA IT IS AN OFFICIAL  
OBSERVER AND NORTH KOREAN OFFICIALS ATTEND ALL IMPORTANT CEMA  
MEETINGS. IT THUS HAS A GENERAL IDENTITY WITH CEMA AREA.

4. ANY BAILING OUT OPERATIONS PERFORMED BY SOVIETS  
WILL SURELY BE ACCOMPANIED BY STRONG INSISTENCE ON CERTAIN  
NORTH KOREAN GUARANTEES. THESE COULD BE BOTH POLITICAL AND  
ECONOMIC. IN SOME RESPECTS THIS NORTH KOREAN MISADVENTURE  
COULD GIVE SOVIETS NEW POLITICAL LEVERAGE, PARTICULARLY IN  
VIEW OF MOSCOW'S RELATIVELY STRONG INTER-  
NATIONAL FINANCIAL POSITION.  
STOESSEL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BALANCE OF PAYMENTS, GOVERNMENT DEBTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975MOSCOW06135  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750157-0260  
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**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 HONG KONG 4747, 75 (NOTA BUDAPEST 1136  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 JUN 2003 by ElyME>; APPROVED <14 OCT 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REPORTED NORTH KOREAN DEFAULT ON DEBTS  
**TAGS:** EFIN, PFOR, CH, UR, KN, COMECON  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006